power radio stations, and 3.26 percent of television stations.

Six media companies own the four broadcast television networks, cable channels, radio stations, and music and movie studios. The FCC should widen media ownership and not grant waivers to basic FCC rules when electronic media or combined electronic and print media companies are sold.

Also, when the FCC fails to enforce local content and local ownership rules, and local news and feature programs get cut from budget -- for budget reasons, then the FCC plays a major role in harming local communities, including contributing to the subprime home ownership problems in the United States today.

Thus, the FCC media ownership rules have a major and direct financial impact on U.S. taxpayers in having to pay for a lack of local day to day community media sounding board institutions in local communities. Local ownership means local content, and community sounding board media cooperation, and competition for market niches at the same time.

There is overlapping competition for broadcast, cable, Internet, newsprint, peg channels, non-profit community media, and other local coverage

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of local news, including weather, public safety and health bulletins, local sports, community, and community service events, classified ads, learning opportunities, cultural and heritage events, government services, real estate transactions, public debates, and community assemblies of many kinds.

Together these media, in a local market, become community sounding boards that provide basic health, safety, and community engagement information day in and day out. Thus, the FCC needs to enforce the law and measure its impact on the economy and cultural vitality of local areas, local families, local small businesses, and local public agencies.

This can be done by requiring all media ownership transfer applications involving public demonstrate the financial healthy airwaves to cooperative community sounding board networks in each Also, Ι believe that local community served. community sounding boards are needed for an effective FCC digital TV transition consumer campaign.

One way to demonstrate the practical need and effectiveness of community sounding board networks is to partner with pilot networks in the period from now until 2009 to implement the FCC digital TV transition consumer education program.

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1 A number of parties in Chicago and Illinois 2 would be pleased to meet with FCC staff, its consumer advisory committee, and others to help design and 3 secure funding for a community outreach program on 4 5 digital transition. 6 This work can lead to the development of 7 criteria for expanding media ownership and community 8 stewardship, and reducing the burdens of government 9 created by the lack of local content and local media 10 through local sounding boards, media networks of non-11 profit, public, and business enterprises. 12 I urge the FCC to take a moral stand for the good of media consumers everywhere and promote 13 14 diversity and localism. Please do not allow more 15 deregulation and thus less diversity in our media market place. Thank you. 16 17 (Applause.) 18 CHAIRMAN MARTIN: Thank you, Representative Howard. 19 We also want to welcome Susan Satter, the 20 21 senior attorney -- general -- in the General Public Utilities Division on behalf of the Attorney General, 22 23 Lisa Madigan. 24 MS. SATTER: Thank you.

(Applause.)

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MS. SATTER: Good afternoon, Chairman Martin and Commissioners, and people here today.

My name is Susan Satter. I'm an Assistant
Attorney General in the office of Illinois' Attorney
General, Lisa Madigan. On behalf of Attorney General
Madigan we welcome you to Illinois.

Census data shows that of all the states, Illinois is the most representative of the country, that our state mirrors the national average in terms of population, education, income, racial and ethnic diversity, and whether we live in urban or rural communities. We're proud of this distinction, and I think it gives special weight to comments that you'll hear today.

We're here to discuss a subject of vital interest. The last 10 years have seen a striking consolidation of television, radio, newspaper, and other media in this country. We know this by simply looking at the diminishing number of media companies, and at the rising number of stations owned by a smaller and smaller group.

So how has the consolidation of media ownership affected our communities, our businesses, and our access to the information necessary to be informed citizens? Have the goals of localism,

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diversity, and competition been furthered or thwarted in these last 10 years?

We know that there has been considerable consolidation of radio ownership here in Chicago. And in particular we have seen significant consolidation of radio stations that have historically served the Black community. This is especially important --

(Applause.)

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MS. SATTER: This is especially important because radio is the most widespread and easily accessible medium. It has been, and continues to be, more accessible than print, more accessible than television, and more accessible than the Internet.

And the Black community in Chicago has a ground-breaking, cutting-edge history οf radio programming, including talk shows that actively involve the community and local politics, community events. In the wake of the significant consolidation of Chicago radio stations that serve the black community, we believe the FCC must carefully to the testimony this evening, and take a close look at the real impacts of consolidation.

First I'd like to mention local public affairs programming. Local public affairs programs are a critical way for a community to discuss issues

of concern to them. Today, after consolidation, have local public affairs programs been protected and encouraged? Or are they being moved out of prime time spots, or cut altogether?

And when they are cut, can they find another home or did the public affairs programs and

And when they are cut, can they find another home, or did the public affairs programs and hosts find that the same people who cut them at one station keep them out of the other stations?

We also need to look closely at advertising policies. Increasing in advertising rates due to media consolidation have a disproportionate and often a huge effect on small local businesses, which often target their limited advertising dollars to particular communities.

So we must ask, has consolidation resulted in higher advertising rates, putting exposure on the airwaves beyond the reach of local businesses and effectively cutting these businesses off from their communities?

Are small local businesses facing higher rates for advertising on a block of stations, or facing rates designed for national advertising? What happens to the small local business that used to have a local media presence?

The current situation in Chicago, and in

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particular in regard to radio stations that serve the black communities in the station -- in the city, demonstrate these are not idle or abstract concerns.

There is also a real concern here in Chicago that media consolidation has greatly limited the flow of information about local events, and particularly events targeted to the many distinct communities within the city.

Do local groups still have access to the radio to get exposure for their events? If one station chooses not to announce a community event, is there another station serving the same community to make the announcement? Can the various communities that make up this city always find a viable outlet for their news and their notices?

Ultimately, media consolidation is not just about numbers. How many stations can be owned by any one company? It is about how people live in communities and express themselves through art, music, community events, and free and open public affairs discussion.

Preserving local access for as many people and communities as possible is good for everyone. It is --

(Applause.)

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Ιt good for 1 MS. SATTER: is private 2 but it is vital for public officials. citizens. 3 because then public officials can best respond to the 4 interest and concerns of people when people have a 5 voice. media 6 You will agree that when 7 consolidation limits communities' and small 8 businesses' abilities to fully and freely express 9 themselves, and present varied points of view, we know 10 that media consolidation has gone too far. 11 (Applause.) MS. SATTER: We trust that by coming out of 12 Washington and hearing about the effects of 10 years 13 14 of media consolidation, you, the Commission, will take 15 significant action that is necessary to promote democracy, to preserve diversity and localism, and to 16 17 make sure that voices from every community can truly have access to the media. 18 Thank you very much. 19 (Applause.) 20 21 CHAIRMAN MARTIN: Thank you, Ms. Satter. 22 And at this point, all the Commissioners I think want to have an opportunity to provide some 23 24 opening remarks. And then we'll move on

panelists.

I want to take the opportunity to thank you all for joining us today. We began a comprehensive review of our rules governing media ownership in the summer of 2006. And this hearing is the fifth of a series of six media ownership hearings that the Commission tends to hold throughout the country.

The goal of these hearings is to more fully and directly involve the American people in the process. And as I have said many times before, public input is critical to our process, and will inform our thinking of these results. And I appreciate then, therefore, all of you all taking the time to be with us this afternoon.

The decisions that we're going to make about media ownership rules will be as difficult as they are critical. The media touches almost every aspect of our lives. We are dependent upon it for our news, our information, and our entertainment.

Indeed, the opportunity to express diverse view points lies at the heart of our democracy. A robust market place of ideas is by necessity one that reflects the diverse perspectives and diverse view points.

Now our media ownership rules are intended to foster three core goals: competition, diversity,

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and localism. Many who have commented in this proceeding, including at hearings such as this one, expressed significant concern about increased consolidation, and the preservation of diversity in the media. And I anticipate this afternoon -- this evening's hearing, we'll hear many more thoughts like that for tonight.

Now also critical to our review of the media ownership rules is exploring and understanding the competitive realities of today's media market place. Many of you here are likely familiar with the changes that are taking place, even here in your local paper, The Chicago Tribune.

And you might also note that some of our rules have not been updated for years, and may no longer reflect the current market place. Indeed, the 3rd Circuit recognized this, and several people referenced the 3rd Circuit case, when it actually upheld the Commission's elimination of the newspaper-broadcast cross-ownership rule.

It's our task to respond to that court by ensuring that our ownership rules take into account both the competitive environment in which media companies operate today, as well as ensuring we continue to promote localism and diversity.

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And with that I would like to return for a moment to those issues of diversity in the media. In order to ensure that American people have the benefit of a competitive and diverse media market place, we need to create opportunities for different new and independent voices to be heard.

The Commission needs to be committed to expanding opportunities for entry into media ownership and media programming, as well as other communication services. Indeed, at our previous ownership hearings, many people have argued that the impact of media consolidation that has already occurred has had several negative impacts.

First. they've arqued that the limited the number consolidation has of channels available to minorities and new entrants. And second. they have argued that it has made it more difficult for independent programmers to get access and get on And third, they've argued that it has made easier for large media companies at times advertise products by integrating them into the programs without notice.

And regardless of what the Commission does or doesn't do on media ownership, I think these are important issues that the Commission can, and should,

take steps to try to address.

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Now first, the limited number of channels available in the broadcast, television, and radio spectrum bands, and the high start up costs of trying to build a broadcast station, are significant barriers to entry to anyone who wants to try to enter and become a broadcaster.

It can be very difficult for anyone, but especially a new voice or a new entrant, to find an available channel, gather enough capital to build a new broadcasting station. I believe the Commission can, and should, help small and independently owned businesses overcome these obstacles by allowing them existing television stations' some of broadcast spectrum and distribute their own programming that way.

As we've heard, all television broadcasters are required to begin broadcasting digital in 2009. This conversation to digital enables broadcasters to fit a single channel of programming into a smaller amount of spectrum.

Often there's additional spectrum left over that could be used to air additional channels. Small and independently owned businesses should be able to take advantage of these extra channels and its unused

capacity and operate some of their own broadcast channels. These new stations will be able to operate

their own programs, and obtain all the accompanying rights and obligations of other broadcast stations such as public interest obligations and carriage rights on cable and satellite systems. And moreover, we have very similar policies to this in low power FM and leased access on cable systems today.

Indeed, before I came here today, I was on a tour or WVON with Melody Spann Cooper who --

(Applause.)

CHAIRMAN MARTIN: -- who I have to say didn't tell me about the shortcut to get here, that's why I was late. So I should follow her -should have followed her more directly.

But she was talking about they've gone from 1000 watt to a 10,000 watt radio station, and they've been able to do it by arranging a unique leasing arrangement with another company. We're going to hear more about that today. So that's allowed them to get to capital to be investing in additional access those -- the network -- their broadcast station, to be able to get their message out.

These other kinds of real world examples of

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similar type of leasing arrangements provide us an opportunity to establish a similar system in broadcast television today.

Now there's also one example of that going on in television today. Post/Newsweek has begun to lease out to Latino alternative TV programming for one of its multi-cast channels in Miami, Orlando, Houston, and San Antonio.

And the Commission is I -currently considering whether we should be adopting this idea of allowing small and independently owned programmers to lease out capacity on broadcast stations for qualified designated entities, and Ι encourage all the Commissioners to take a look at that. And I think that will provide an important opportunity for us to try to provide an avenue for people to have new and independent voices in the markets.

that rule making, the Now in same Commission is also seeking comment on several other proposals that are critical for new entrants, designated specifically targeted for qualified entities to be able to get into broadcasting. For to purchase example, by allowing them construction permits and being allotted additional time to go in and build a broadcast facility where

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someone else has a construction permit and they haven't built out as they were supposed to.

And in addition -- and I was talking about with Martin King before, just before the hearing, the Commission has been, and will continue, to recommend that Congress re-establish the minority tax certificate program to allow for people to have tax benefits if they're investing in broadcast facilities.

And second, many argue that in today's media environment it is oftentimes difficult for independent and niche networks to get carried by cable and satellite providers. For example, the company, the Black Family Channel recently announced it was giving up on becoming a regular cable channel and becoming an online only channel, and it would no longer be shown on TV.

And Rick Newberger, their Chief Executive Officer, was quoted in one newspaper as saying, Today if you want to start a new cable network, it's about as easy as it is to schedule a ride to the moon. Now I believe the Commission needs to take several steps to make it easier for independent programmers in this regard as well.

For example, just last week the Commission asked whether we needed to limited the ability of

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larqe media companies to tie or bundle their programming. I think that offering cable and satellite channels on a more individualized basis, and in smaller bundles and themed tiers could help benefit minority consumers and minority and independent programmers.

Either the Commission needs to -- I also think the Commission needs to re-examine our cable leased access rules to better encourage independent programmers. Eliminating time, giving consumers more choice will be an important step toward leveling the playing field for independent programming voices, those not affiliated with the largest broadcast, cable and satellite distributors, and competing channels that are owned by cable/satellite.

Under the current system, many cable and owned networks are bundled into satellite the offerings, not necessarily because viewers are demanding them, because the distribution has a financial interest -- the distributor has a financial interest in maximizing their distribution.

Under a system in which the viewers do the choosing, those channels that do not benefit from a corporate parent will still be able to attract viewers and have an opportunity to get on the system on an

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But you don't have to take my word for it. Several other people talked -- commented about some of The Free Press's recent arguments on things the Commission should end up doing. The United States Congress consumers -- in a recent letter to the United States Congress, the Consumers Union, the Consumer Federation of America, Free Press, Communication Workers of America said, and I quote, "Cable companies act as gate keepers over the programming that allowed into the expanded basic package preventing independent content producers from reaching viewers. By allowing consumers to vote with their wallets rather than forcing them to buy channels they never watch, the market place will respond by providing more diverse and higher quality programming that consumers will demand."

And finally I want to highlight one other media issue that is increasingly effecting consumers.

At our very first media ownership hearing in Los Angeles, several witnesses raised concerns about the issues of product integration.

In today's technology, TiVos and DVRs allow many people to actually skip over commercials. And as a result, networks may be turning to more subtle and

sophisticated means of advertising, by incorporating commercial messages into traditional programming.

As these techniques have become more increasingly prevalent, there's a growing concern that our sponsorship identification rules fall short in their ultimate goal to ensure that the public is able to identify both the commercial nature and the programming, and when they're being advertised to.

And I believe it's important for consumers to know when someone is trying to sell something, and that it is appropriate for the Commission to reexamine these rules.

And so accordingly I've recent circulated a notice of proposed rule making to my colleagues asking whether we should re-examine the sponsorship identification rules. This is an issue that's been raised several times by my colleagues. Commissioner Adelstein has been particularly adamant about this issue.

And this notice asked whether it is necessary for us to go back and amend our sponsorship identification rules, and ensure there is adequate disclosure to the public, and I hope that the Commission moves forward on this issue as well.

So I think that it's important as we begin

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to talk about today, as we have at every other media ownership hearing, the impact that the potential consolidation has had. We look at all the tools the Commission has to try to address some of these problems.

And I know that the -- that you'll hear from all the Commissioners on their concerns about many of these issues. And I think that it's most important that we hear from you. But I do think it's important that the Commission begin trying to enact some of the reforms that can begin to address some of these issues that have been raised. Thank you all very much.

And Commissioner Copps will now address you.

(Applause.)

COMMISSIONER COPPS: Good afternoon. Let me begin by thanking my friends at Rainbow Push, Chairman King, Kimberly Marcus, most specifically Reverend Jackson, for inviting the FCC to hold its media ownership hearing in Chicago, here at this wonderful venue.

I understand Reverend Jackson is flying in from Louisiana and hopefully will be with us a little bit later. The only thing that could keep him away I

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think is doing what he always does, which is work so tirelessly for equality and justice for everyone in this great country.

(Applause.)

COMMISSIONER COPPS: It's an honor and a pleasure to be here. And many thanks also to Senators Durbin and Obama for welcoming us, and for their forthright leadership on the issues we're discussing.

I can't think of any better place to discuss media than Chicago, a city so vibrant and rich in its diversity, and in its music, and in its communities. If anyone can tell us what is going right and what's going wrong in our media today, I'll bet it's the citizens that call this good city home.

I want to emphasize what's at stake here, because our media is really precious. It's how, outside of our strictly personal spheres, we speak to each other, inform each other, learn from each other, entertain each other, increasingly even how we govern ourselves. Almost half a century ago the writer, Arthur Miller, said that, A good newspaper I suppose is a nation talking to itself. And today that idea applies across our entire media system.

I also believe that media is the most enterprise in the land, bar none. And if we're smart

about it, our media will reflect the genius, and the creativity, and the diversity of our country. If we're smart about it, we'll take whatever action we must to ensure that the public airwaves truly reflect and truly enhance the talents and aspirations of us all.

And here I want to emphasize those two words public airwaves. The airwaves belong to you and me.

(Applause.)

COMMISSIONER COPPS: No business, no business, no corporation, no special interest owns an airwave in the United States of America. They're yours and you allow broadcasters to use these airwaves for free in return for offering programs that serve you and your communities. We're here today to find out from you whether they're serving your interest, and if not, what you think the FCC ought to do about it.

To me, serving the public interest means the public interest of everyone in this great land. You know, some folks still see America's diversity as a problem to be overcome. They don't understand that America's diversity is an opportunity to be harnessed. It's our strength, it's who we are, it's who we can

become.

And this city contains a rich and vibrant multitude of races, and religions, and traditions, and stories, and I want to find out today if you think the public airwaves here in Chicago are being used to reflect those races, and religions, and traditions, and stories, or whether they only distort and caricaturize them.

What I've heard in so many places around the country is that a lot of people don't believe that we're anywhere near taking advantage of our great diversity when it comes to the media. Why? Start by looking at who owns the media in the first place.

As several speakers have said, in the last months, Free Press has completed two research studies on minority and women ownership in the media that are convincing and compelling. And I won't go through those statistics again because they've already been cited, but something is wrong when you live in a country that's 33 percent people of color, and people of color own 3.26 percent of full power TV stations.

(Applause.)

COMMISSIONER COPPS: Some folks say maybe
Chicago is different, but only three of the 13 full
power commercial TV stations in Chicago are even

locally owned and operated, one is owned 1 2 African-American, and none are owned by women. 3 Four or five percent of all commercial 4 radio stations have minority owners, one of which is female owned. How about more stations for people like 5 6 Melody? 7 (Applause.) COMMISSIONER COPPS: Democracy would sing 8 9 to that melody, wouldn't it? 10 So is it any wonder, given the figures I've just cited, why the depictions of minorities in our 11 media are so often distorted, why their issues get 12 such scant coverage, why their contributions to the 13 14 good things happening in America are so seldom even So let's be frank -mentioned. 15 (Applause.) 16 COMMISSIONER COPPS: -- ownership matters 17 more than that, ownership rules. And unless and until 18 we do something to increase minority ownership and 19 minorities in top broadcast jobs, our communication 20 sectors will continue to underserve the great promise 21 22 of America. Now I'm willing to look at new proposals. 23 We're talking about leasing. I'm a huge supporter of 24 low power radio. We've got to do better there, but 25

our objective --

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(Applause.)

COMMISSIONER COPPS: -- but there's what our objective has to be. I am talking about first class, front of the bus, full power ownership of full power stations.

(Applause.)

COMMISSIONER COPPS: And that's not just Mike Copps saying we'd be better off to get serious about minority ownership. When the court sent Chairman Powell's misguided ownership rules back to us in 2004, it took the Commission severely to task for ignoring these issues. We can't make that same mistake again.

Last month we finally saw a comment on dozens of serious proposals by our own Diversity Committee and others, we should not, we must not act on media ownership until we address and act upon these vital issues. To do anything short of that would be wanton disregard for every minority group in the land.

I believe there are many broadcasters who want to serve the public interest. And some are doing good jobs, and I recognize and I applaud them. But I'm worried that in this era of huge consolidated media with few broadcasting giants owning more and

more outlets, it's harder for these folks to be captains of their own fate, because more and more they're captives to the unforgiving expectations of Wall Street and Madison Avenue, and in the process, local coverage has diminished, the news has been dumbed down, and diverse local and regional cultures have been subsumed to homogenize and nationalize programming fare.

(Applause.)

COMMISSIONER COPPS: Too often it doesn't reflect who we really are, and it doesn't give us the information and the understanding we need to sustain our civic dialogue and our democracy. The bargain that America made with commercial broadcasters, that they could use the airwaves and make a good living from that use, but in return they would be stewards of the public interest, that bargain has gotten wildly out of whack in too many places.

(Applause.)

COMMISSIONER COPPS: And I'm here to find out if one of those places is Chicago.

You know, the FCC used to hold broadcasters to their end of this bargain. We made them come in every three years to get their licenses renewed. And we had a list of guidelines, 12 or 14 in number, that